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SUBJECT: Chinese Inspectors Blame U.S. Media and Unlicensed Workshops for Consumer Product Safety Problems

¶1. (SBU) Summary: Guangzhou Technical Supervision Bureau (TSB) Deputy Director General Liu Shu Biao blamed an overly negative U.S. media and unlicensed workshops for China's recent spate of high-profile product safety recalls. Despite the defensiveness of his remarks, he said that the central governmentQs recently announced safety regulations for food products showed Beijing's commitment to addressing consumer safety concerns. Details regarding implementation of these new regulations have yet to be determined. End Summary.

Guangzhou TSB's Role in Consumer Product Safety: A Small Sliver of the Pie
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¶2. (U) The Guangzhou TSB conducts quality inspections at factories and plants here to ensure companies comply with the mandatory standards set by the national authorities in Beijing. They also conduct safety inspections of certain infrastructure, such as elevators, fire engines and gas stations. Their mandate only covers products made for the domestic market, and they are only responsible for goods while in production on the factory floor. Once the goods leave the factory, another bureau -- the State Administration of Industries and Commerce (SAIC) -- takes over quality control monitoring. Yet another agency -- the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) -- covers all export and import products.

¶3. (U) Up until 2005, the TSB operated as a separate government bureau on both the national and local levels. In 2005, however, the national TSB along with several other bureaus were combined to form AQSIQ. At the local level, the TSB, SAIC and AQSIQ all continue to operate as independent bureaus.

Eleven Agencies, Thousands of Offices and Little Coordination or Cooperation
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¶4. (SBU) The Guangzhou TSB is just one of thousands of TSBs around the country; each level of local government has its own TSB. In a meeting on August 10, 2007, Deputy Director General Liu explained to Conoffs that all regulations and standards governing consumer product safety are set in Beijing and implemented countrywide by 11 different agencies each with offices at various levels of government. He seemed surprised when asked if any coordination existed between the various agencies and TSBs. He replied that

although he knew some of the other leaders personally, there was no formal coordination or cooperation.

U.S. Media Exaggerates the Consumer Safety Problem

¶5. (SBU) Liu blamed the U.S. media for exaggerating the scope of the consumer safety problem in China. He argued that the quality control of Chinese goods had been consistently good the last couple of years. Every food and industrial product manufactured in Guangzhou is sampled for inspection. Food products are sampled six times a year and have approximately a 90 percent pass rate; other industrial products are sampled once or twice a year and have about an 80 percent pass rate. Although he did not know the precise numbers, he said export goods had an even higher pass rate. Liu believes Chinese products are of an even higher quality than American products, claiming that more Chinese goods pass Japan's strict import regulations than American goods.

Unlicensed Workshops -- The Source of the Problem

¶6. (SBU) On several occasions during the meeting with Conoffs, Liu and his TSB colleagues stated their concern that small, unlicensed workshops are not abiding by safety guidelines, and that these outfits are tarnishing the reputation of China's exports. Liu commented that many of these workshops were run by farmers or business owners, who were operating on the margins and did not have enough money to obtain the required licenses. He said many of these small business owners were aware that their quality standards were below those mandated nationally and therefore did not attempt to get licenses. To address this problem, the TSB is about to launch a campaign to close down all unlicensed shops in the city of Guangzhou.

The July 26th Special Rules

¶7. (U) The TSB officials stressed Beijing's passing of new regulations -- which they called the July 26th Special Rules -- as proof that the central government is taking action to address consumer product safety concerns. Liu told us that the new regulations call for stricter controls on inputs and raw materials used in making final food products. The TSB officials said these regulations may later be expanded to apply to other products besides food. They noted the new regulations carry the weight of law, stipulate stricter enforcement of already existing laws, levy heavier penalties for violators, and place greater responsibility on government officials. Lastly, the regulations outline stricter safety controls on export and import products. The Guangzhou TSB is now in the process of deciding how to implement the new regulations. Although the provincial Guangdong TSB held a conference on July 30 with over 3,000 government officials and food manufacturing company leaders, no implementation guidance on new rules was set.

Guangzhou's Consumers Not Too Concerned About Consumer Product Safety

¶8. (U) Guangzhou consumers are apparently more concerned about product safety than they have been in the past but no where near as concerned as American consumers. TSB officials said that there were two main reasons for the increase in concern. First, due to improved testing technology, TSB now detects more problems than it had before. Second, as wages increase, consumers pay greater attention to the quality of the goods they buy.

Comment

¶9. (SBU) ConGen Guangzhou has a good relationship with officials at the Guangzhou TSB. All of the four officials we met with have been to the U.S., and one of them studied in Los Angeles for one year. In the past, setting up meetings with them only required a direct

phone call. This time, however, the TSB officials told us they needed prior Foreign Affairs Office approval to meet. This change reflects the growing sensitivity of consumer product safety issues and perhaps even the greater outreach of the FAO on all issues about which the consulate inquires (in itself, a continuing and disturbing trend).

¶10. (SBU) The TSB officials came across as somewhat defensive and deflected blame away from sources of the problem that reflected on China. However, because all of them had been to the United States and were somewhat familiar with the U.S. regulatory system, they had a basis for comparison that many other Chinese officials lack. They repeated several times that their procedures and the challenges they faced were "just like in the U.S." Although some of these comparisons were inaccurate, it was clear they understood procedures for ensuring consumer product safety. Nevertheless, they lamented that many of those methods wouldn't work in China since local conditions differ from conditions in the U.S.

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